



SMMUSD Financial Oversight Committee Minutes

Date: Tuesday, January 18, 2011

Time: 7:00 pm to 9:00 pm

**Location: Testing Room, SMMUSD Admin. Offices
1651 16th Street, Santa Monica, CA 90404**

I. Call to Order

The meeting was called to order at 7:07p.m. by Ms. Wagner.

Committee Members:

Carrie Wagner, Chair
Joan Chu Reese, Vice Chair
Patricia Hoffman

Gordon Lee
Paul Silvern
Cynthia Torres

Board Liaisons:

Jose Escarce

Staff:

Jan Maez
Kim Nguyen

Public:

Ben Allen
Chris Balme
Nicole Lash

Ken Adler
Patrick King
Tom Larmore

Absent:

Oscar de la Torre
Craig Hamilton
Laurie Lieberman

II. Approval of Minutes 11/30/10

A motion was made by Mr. Lee and seconded by Mr. Silvern to approve the Minutes, as amended. The motion passed unanimously.

III. Staff Report: Chief Financial Officer Janece L. Maez (*Limited Discussion*)

A. PDMSC Update: The public hearing on the appeal was held January 11, 2011. LACOE allowed 15 minutes for proponents and opponents discussion. Superintendent Tim Cuneo, Ms. Maez, and a teacher from Cabrillo spoke. There were no questions or comments made by the County board. On February 1st, LACOE staff will report their analysis on the petition. Ms. Maez reported that the District answered questions from LACOE staff. The County Superintendent will make a recommendation and the Board will consider a decision on the appeal on February 8th. Dr. Escarce stated that the County historically made 6 decisions on charters – where 3 were approved and 3 were denied.

B. Budget Update: Ms. Maez attended the School Services budget conference in Long Beach and provided copies of several slides that were of immediate interest to the FOC. The first slide was about the Governor's plan and reductions. Option 1 reflected passage of the tax measure termed as "flat funding" model where it would leave the District close to whole. Option 2 reflected the additional loss if the tax measure is not approved. Ms. Maez explained that a majority vote of 2/3 is needed to get the tax measure on the ballot.

We should know by March if it will be on the June ballot. If the tax measure makes the ballot but fails, the District will need to take another \$330 cut. In 2009, a one-time hit of \$253 was taken. Ms. Wagner stated that we would probably need to do two (2) budgets: one flat line and one without the taxes.

Ms. Maez distributed to the FOC a copy of the California Statewide Delinquent Tax Finance Authority Premiums Received by K-14 Public Schools in Los Angeles County 2002-2010 and a copy of LACOE's letter dated January 3, 2011 regarding its review of the District's First Interim Report for fiscal year 2010-11.

IV. Update from Ad Hoc Committees

- A. Researching District Revenue Enhancement (*G. Lee, J. Chu Reese, C. Torres*): No report.
- B. Reviewing Special Education Budget (*C. Hamilton, P. Silvern*): Mr. Silvern indicated that the ad hoc committee reviewed a spreadsheet that showed Special Education budget to actual comparisons by program in account across three separate fiscal years. He also noted that staff provided the information in summary form. This will be helpful as the budget for next year develops. The plan is to have the Special Education ad-hoc committee meet with the FOC at the March meeting.
- C. FOC Interviews (*C. Hamilton, G. Lee, P. Silvern, J. Chu Reese*): Mr. Lee stated that nine (9) applications were received to date. Dr. Escarce commented that historically, the application process was almost always extended.

V. Discussion/Action Items

- A. District Financial Audit Report and Measure R Audit Report: Ms. Lash, representing the District's audit firm, presented the Measure R audit report. The audit reviewed expenditures making sure that they were in alignment with the Measure R ballot. Mr. Silvern requested that a trend analysis of senior exemption revenue be included in the summary as we go forward to keep a historical record.

Ms. Lash explained the Financial Statement Audit process. The firm is in the District twice a year: Spring and Fall. In the Spring, the audit looks at attendance, ASB, internal controls, and procedures. In the fall, the unaudited actuals by the District submitted to LACOE is reviewed. She explained the different sections of the audit report. Ms. Lash reviewed the management discussion and analysis; the conversion of the Districts modified accrual statements to the fully accrued governmental statements; the supplemental information section; and the section with their findings.

Although there were some findings with state compliance, there was nothing material. However, there is no materiality test so the finding must be reported. Ms. Lash reviewed in detail the findings and District responses found in the report of most interest. Discussion includes the two findings related to attendance procedures at Olympic High School. There were two (2) separate issues at Olympic related to attendance. Ms. Lash and Maez provided detailed information regarding the procedures that were lacking; how continuation school attendance taking differs from other secondary sites; how the use of a web-based system created confusion; and how the lack of training and understanding on

the part of the principal and staff caused the issues identified. Ms. Maez explained how this finding differed from the finding at John Adams the previous years because no additional ADA was in question.

Ms. Maez informed the FOC that Fiscal Services staff was at Olympic High School to confirm that changes have been implemented. Staff has viewed the entire operation and documentation that would be given to the auditors for 2010-11. Site staff now understands the system and the Administrative Assistant has attendance records in very good order. Ms. Lash stated that different sites were doing different things. She suggested that hiring an internal auditor to point out any correction might be useful.

Members of the FOC discussed the issues raised in the audit report concluding that there needs to be some kind of procedure to ensure compliance. Ms. Torres was surprised that there is no accountability as there is an implied, potential revenue consequence and a message of accountability needs to be communicated. Mr. Silvern stated that if there are no consequences, procedures should be implemented at whatever level it needs to be at, and perhaps the Superintendent should address this.

Ms. Maez updated the committee on the John Adams audit issue stating that every teacher who taught at John Adams for the 2008-09 school year signed attendance documents attesting that they are true and correct. The District should be at a point where the audit firm can come back, look at what has been put together and evaluate whether they can reach an opinion on the validity of the ADA at the school.

Regarding the FOC's question related to the new student information system, Ms. Maez stated that a training schedule and plan is being developed. About a month ago, Ms. Maez spoke to the owner of Illuminate who designed the system and talked about accountability features and discipline.

Mr. Silvern would like to recommend to the Board that there be disciplinary action and/or institute written procedures.

Ms. Wagner called an Executive Session from 7:55pm to 8:10pm.

Ms. Hoffman reported that the FOC will come back with recommendations coming out of the audit in regards to attendance. Mr. Silvern stated that the FOC will draft language for recommendation.

- B. FOC Mission Statement/Statement of Purpose: Ms. Wagner and Ms. Chu Reese provided an updated copy of the mission statement/statement of purpose. There was a recommendation of three (3) student reps, one from each school. As qualification to be a member of the committee, the ability to understand school district finances was added.

Dr. Escarce asked how the committee was going to deal with the member's attendance. Ms. Chu Reese stated that it is one of the criteria for selection. The candidates will be informed of the meetings and lack of attendance may be grounds for removal.

Under application process, language was added to reflect that current members whose terms are set to expire may, if in good standing, be recommended for reappointment by the committee for Board approval. The FOC is encouraged to recommend additional qualified applicants than meet the current demand of the Committee's directives.

A motion was made by Mr. Silvern and seconded by Ms. Torres to approve the draft with correction in Section II, changing the numbering system from roman to alphabet, as well as adding language under FOC meetings and procedures about lack of attendance. The motion passed unanimously.

C. Strategic Plan Update: There will be a meeting of the entire task force on January 25th.

VI. Receive and File (Limited Discussion)

- A. EdSource Report – Challenging Times: California Schools Cope with Adversity and the Imperative To Do More (*December 2010*)
- B. School Services of California, Inc. *Fiscal Reports (11/5/10, 11/19/10, 12/3/10, and 12/17/10)*

VII. Public Comments: None

VIII. Next Meeting: February 15, 2011 from 7:00 p.m. - 9:00 p.m.

IX. Adjournment: Meeting adjourned at 9:05 p.m.